

# SENATE BILL REPORT

## ESHB 2544

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As Reported By Senate Committee On:  
Labor, Commerce & Financial Institutions, February 28, 2002

**Title:** An act relating to using credit history for insurance purposes.

**Brief Description:** Restricting use of credit history.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Cooper, Benson, Santos, Clements, Simpson, McIntire, Armstrong, Hunt, Romero, Dickerson, Upthegrove, Chase, Ogden, Haigh, Conway, Kenney, Campbell and Linville; by request of Governor Locke, Insurance Commissioner and Attorney General).

**Brief History:**

**Committee Activity:** Labor, Commerce & Financial Institutions: 2/26/02, 2/28/02 [DP, DNP].

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### SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Benton, Deccio, Fairley, Franklin, Gardner, Rasmussen, Regala and Winsley.

**Minority Report:** Do not pass.

Signed by Senators Hochstatter and Honeyford.

**Staff:** Joanne Conrad (786-7472)

**Background:** Some insurers use credit history information and credit scores as a factor in determining insurance premiums. The companies that use credit history as a factor believe that it is predictive of the probability of an individual submitting an insurance claim, and that it helps insurers to establish appropriate premiums.

On the other hand, some consumers believe that a person's credit history is irrelevant to their likelihood of having an accident, for instance, and submitting a claim. During the past few months, the Office of the Insurance Commissioner held public meetings throughout the state, in order to hear about consumer concerns with the use of credit history in underwriting.

**Summary of Bill:** For personal insurance underwriting, an insurer cannot cancel or refuse to renew a policy due to a consumer's credit history or credit score and can use credit history only in combination with other substantive underwriting factors. Insurers must notify consumers when credit history is the basis for adverse action and cannot deny coverage based upon absence of credit history and other specified factors.

Disputed and corrected elements in a credit score that affect an insured's premium require the insurer to correct the premium accordingly.

The Office of the Insurance Commissioner reports to the Legislature by January 1, 2004, on credit scoring in personal insurance, including an analysis of demographic and discriminatory effects, if any.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** (Signed in): Robby Stern, WSLC (pro); Jim Bricker, Pemco (pro); Robert Pregulman, WashPIRG (pro); Ahndrea Blue, Governor Locke's Office (pro); Carrie Tellefson, OIC (pro); Bill Stauffacher, Independent Insurance Agents and Brokers (pro); Elaine Rose, Attorney General's Office (pro); Gene Forrester, Washington Senior Citizens' Lobby (pro); Mel Sorensen, National Association of Independent Insurance/Allstate Insurance Company (con); Cliff Webster, Consumer Data Industry Association (con); Jean Leonard, State Farm (con); Jim Haase, Capital One (con).